



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

April 03, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank in Cimarron
Charter Number 13329**

**112 N. Main
Cimarron, KS 67835**

**Comptroller of the Currency
Wichita Field Office
3450 North Rock Road Suite 505
Wichita, KS 67226**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- The First National Bank in Cimarron's average loan-to-deposit ratio is 64%. This is satisfactory compared to the one other bank in the assessment area and the four banks located in the surrounding counties considered direct competitors.
- A substantial majority of First National's primary loan products have been granted in the assessment area. The initial sample indicated 85% of the number and 98% of the dollar volume were in the assessment area.
- Lending to farms and businesses of different sizes is adequate. The agricultural loan sample indicated performance below demographics. However, 40% of the loan sample did not have current revenue information. Eighty percent of the loans originated in the loan sample were for \$100 thousand or less. The volume of lending to businesses with different revenue levels is adequate. Forty-five percent of the number of loans were granted to businesses with revenues less than \$1 million. However, 55% of the loan sample did not have current revenue information. Eighty-five percent of the loans originated in the loans sample were for \$100 thousand or less.

DESCRIPTION OF INSTITUTION

The First National Bank in Cimarron (First National) is a \$58 million bank headquartered in Cimarron, Kansas. First National has two locations: the main office in Cimarron and a branch in Ingalls, Kansas. The main office in Cimarron has a drive-up facility. Cash-dispensing ATMs are located near the main bank in Cimarron, inside the Ingalls' branch, and at White's Foodliner grocery store in Cimarron. The bank has not opened any new branches, or closed any existing branches, since the previous CRA examination.

First National is a wholly-owned subsidiary of First National Agency, a one-bank holding company located in Cimarron. The holding company had total assets of \$3,489,000 as of December 31, 2005. First National's only subsidiary is First Insurance Agency, located inside the main bank in Cimarron. First National's corporate structure has not changed since the previous CRA examination.

First National is primarily an agricultural lender, but does offer a variety of other loan products. Net loans represent 58% of the bank's total assets. As of December 31, 2005, the bank's \$32 million loan portfolio had the following composition: 48.5% agricultural loans, 30% real estate loans, 12% commercial loans, 8% individual loans, and 1.5% other loans and leases. Management indicated the bank's primary lending products are agricultural loans and commercial loans. Examiners determined 60% of the dollar amount and 20% of the number of loans originated within the current year and prior two years were agricultural loans. Commercial loans represent 17% of the dollar amount and 18% of the number of loans originated within the same time period.

First National's financial condition and size, along with local economic conditions and other factors, allowed it to meet the needs of its assessment area. We assigned a "Satisfactory" rating at the March 25, 2003 examination.

DESCRIPTION OF ASSESSMENT AREA

First National's assessment area (AA) consists of Gray County, Kansas. The AA contains two middle-income census tracts. The AA does not contain any low-, moderate-, or upper-income tracts. Gray County is located in southwest Kansas and is not in a Metropolitan Statistical Area (MSA). The AA complies with regulation and does not arbitrarily exclude any low- or moderate-income tracts. The 2000 U.S. Census population of the AA was 5,904. The Kansas non-MSA median family income for 2005 was \$47,550. The AA has the following income distribution for families: 12% low income, 20% moderate income, 27% middle income and 41% upper income. Of the 2,076 households in the AA, 25% receive social security, 7% have income below the poverty level, and 1% receive public assistance. Thirteen percent of the population is over the age of sixty-five and 22% of the population consists of civilians not in the workforce.

The median housing value is \$69,663 and 68% of the housing units are owner-occupied. The trade area is dependent on agriculture, namely livestock feeding, grain production, and alfalfa hay production. The economy is stable and the population is growing. Besides farming, other

employment in the AA includes the school districts, the county, Irsik and Doll, and other local businesses. The Kansas unemployment rate for February 2006 was 4.7%.

First National faces moderate competition from another bank located in the AA and several other banks in surrounding counties. Examiners selected the other bank in the AA and four banks in the surrounding counties that management considers competition for the loan-to-deposit comparison. First National and the other bank in the AA have roughly the same amount of total assets and each has 50% of the total deposits inside the market. Total assets for the competitor banks range from \$11 million to \$106 million.

Examiners contacted one community professional. The contact indicated First National is very involved in the community. The contact identified agricultural, small business, and residential real estate as the area's primary credit needs and indicated the area banks are meeting these needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

First National's lending level is reasonable given the competition in the area. The bank's average loan-to-deposit ratio since the last Community Reinvestment Act (CRA) examination was 64%. The average quarterly loan-to-deposit ratio over the same period for the competitor banks was 67%, with ratios ranging from 48% to 80%.

Lending in Assessment Area

First National's lending in the AA is good as it extended a substantial majority of its primary loan products to borrowers in the AA. Specifically, we found the bank made 85% of the number and 98% of the dollar amount of loans in the assessment area. The sample included twenty loans, originated this year or in the prior two years, of each primary type.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

First National's lending to farms and businesses of different sizes is adequate. To assess the bank's performance, examiners selected an initial sample of twenty agricultural loans and twenty commercial loans, all originated between January 1, 2004, and February 22, 2006. These two types represent the bank's primary loan products.

First National's lending to farms of different sizes is adequate. The agricultural loan sample had 50% of the number and 41% of the dollar amount of loans to farms with revenues less than or equal to \$1 million. Although this is below the geodemographic data showing 89% of farms with less than \$1 million in gross revenue in Gray County, it is due to the fact that 40% of the loan files did not contain current revenue documentation. The loan sample included only two loans to borrowers with revenues over \$1 million, but these two loans accounted for 51% of the total dollar amount of the sample. Eighty percent of the loans originated were for \$100 thousand or less.

Borrower Distribution of Loans to Farms in AA				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Farms	89%	9%	2%	100%
% of Bank Loans in AA by #	50%	10%	40%	100%
% of Bank Loans in AA by \$	41%	51%	8%	100%

Source: Loan sample, 2005 Business Geodemographic Data

The volume of lending to businesses with different revenue levels is adequate. The borrower distribution table shows that 50% of the businesses within the AA have revenues less than \$1 million. Forty-seven percent of the businesses in the AA did not have current revenue documentation on file. Forty-five percent of the loan sample was to borrowers with business revenues less than \$1 million. Fifty-five percent of the sample did not have current revenue documentation on file. Eighty-five percent of the loans originated were for \$100 thousand or less.

Borrower Distribution of Loans to Businesses in AA				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Businesses	50%	3%	47%	100%
% of Bank Loans in AA by #	45%	0%	55%	100%
% of Bank Loans in AA by \$	94%	0%	6%	100%

Source: Loan sample, 2005 Business Geodemographic Data

Geographic Distribution of Loans

First National's AA does not consist of any low- or moderate-income areas. An analysis of the geographic distribution of loans would not be meaningful.

Responses to Complaints

First National has not received any CRA-related complaints since the previous CRA examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.